

Docket No. 2013-13-A

Pursuant to the provisions of S.C. Code Ann. § 48-46-40(B)(4) (Supp. 2010), Chem-Nuclear Systems, LLC, an Energy*Solutions* company, (“Chem-Nuclear” or the “Company”) submits this Amended Application for adjustment in the levels of certain “allowable costs” and for the identification of certain “allowable costs” for the operation of its regional low-level radioactive waste disposal facility located in the vicinity of Barnwell, South Carolina. In support of the relief which it requests in this Amended Application, Chem-Nuclear would respectfully show unto this honorable Commission:

2. Section 48-46-40(B)(1) of the Act authorizes and directs the Commission “to identify allowable costs for operating a regional low-level radioactive waste disposal facility in South Carolina.” Section 48-46-30(1) defines “allowable costs” as “costs to a disposal site operator of operating a regional disposal facility.” Under that definition, such costs “are limited to costs determined by standard accounting practices and regulatory findings to be associated with facility operations.”

3. Section 48-46-40(B)(3) of the Act provides that “allowable costs” expressly include the costs of certain specifically identified activities necessary in the operation of a low-level radioactive waste disposal facility. That Section also provides that “allowable costs” include “any other costs directly associated with disposal operations determined by [the Commission] to be allowable.”

4. Chem-Nuclear operates a regional low-level radioactive waste disposal facility in Barnwell County, South Carolina (the “Facility”). Consequently, the Commission has the authority to identify the “allowable costs” for the Company’s operation of the Facility.

5. The Facility is located on a tract of land consisting of approximately 235 acres which the State of South Carolina owns and which the Company leases from the South Carolina Budget and Control Board (the “Board”). The 235-acre site includes areas for various operations, including completed disposal trenches, potential trench areas, ancillary facilities, water management areas and buffer zone areas.

6. The Company conducts its operations at the Facility under South Carolina Radioactive Material License 097 (“License 097”) by which the South Carolina Department of Health and Environmental Control (“DHEC”) has authorized receipt, storage and disposal of low-level radioactive waste at the Facility. License 097 contains numerous technical conditions and specifications for management of waste at the Facility. In addition to the requirements of License 097, the Facility is subject to DHEC’s regulations in 24A S.C. Code Reg. 61-63 (Supp. 2010). DHEC’s regulations are compatible with the provisions of “Licensing Requirements for Land Disposal of Radioactive Wastes,” which the United States Nuclear Regulatory Commission (“NRC”) originally promulgated in 10 C.F.R. Part 61, and DHEC has adopted most of those provisions and enforces them through its own regulations under an agreement with the NRC.

7. On May 23, 2013, the Commission issued its Order No. 2013-349 in Docket No. 2012-357-A. In that Order, the Commission identified certain categories of “allowable costs” and identified levels of “allowable costs” within those categories. Order No. 2013-349 approved certain rates for variable allowable costs and identified the sum of \$2,937,390 for total fixed allowable costs for the 12 months ending June 30, 2013. The Order also approved irregular costs of \$191,172 as allowable costs.

8. S.C. Code Ann. § 48-46-40(B)(4) (Supp. 2010) provides that an operator of a low-level radioactive waste disposal site may apply for adjustments in the levels of “allowable costs” that the Commission has identified for the previous fiscal year and for identification of costs that the Commission has not previously identified as “allowable costs.” Upon approval of such application, Section 48-46-40(B)(4) requires the Commission to authorize the site operator to adjust its “allowable costs” for the current fiscal year to compensate the site operator for revenues lost during the previous fiscal year.

9. On September 27, 2013, the Company filed an Application (the “Original Application”) seeking certain relief in the nature of the Commission’s recognition of levels of “allowable costs” for the Company’s fixed costs for Fiscal Year 2012-2013, the identification of the levels of irregular costs for Fiscal Year 2012-2013, the identification of levels of vault costs for Fiscal Year 2012-2013, and the identification as “allowable costs” and approval of total fixed and irregular costs and of variable cost rates for Fiscal Year 2013-2014. By this Amended Application, the company proposes certain revisions in the figures contained in the Original Application and its exhibits to reflect the Company’s reconciliation of certain issues with the Office of Regulatory Staff. The Company’s testimony in this proceeding will explain further the basis for the revisions.

10. For the purposes of this Amended Application and its Exhibits, the Company has used the cost categories that the Commission approved in Order No. 2013-349, which were

based on the recommendations of the parties to the Collaborative Review of the Company's Operations and Efficiency Plan ("OEP").

11. During the Company's recently concluded Fiscal Year 2012-2013 (*i.e.*, the twelve months ending June 30, 2013), the Company's actual "allowable costs" in those categories that the Commission identified in Order No. 2013-349 for fixed costs were \$2,864,976. This amount is \$72,414 less than the amount identified in Order No. 2013-349. Consequently, the Company proposes no adjustment for allowable fixed costs in this Amended Application.

12. With respect to those allowable costs which Order No. 2013-349 characterized as irregular costs, the Company incurred total irregular costs for Fiscal Year 2012-2013 of \$240,438, which are \$49,266 more than the costs identified in Order No. 2012-2013. Therefore, the Company proposes an adjustment of \$49,266 for irregular costs in this Amended Application.

13. With respect to the allowable costs that Order No. 2013-349 characterized as variable labor and non-labor costs, which are dependent upon volumes of waste buried, the Company incurred actual costs in the category of variable labor and non-labor costs in Fiscal Year 2012-2013 of \$123,917.27, which is \$10,386.09 less than the costs identified in Order No. 2013-349, using the variable cost rates identified by the Commission in that Order for categories of waste and using the volumes of waste buried in Fiscal Year 2012-2013. Therefore, the Company requests no adjustment for variable labor and non-labor costs in this Amended Application.

14. With respect to the vault costs, Order No. 2013-349 established certain variable cost rates for each type of waste disposed at the Facility. By applying those rates to the volumes of each type of waste actually buried in Fiscal Year 2012-2013, the Company calculated a total cost for routine disposal vaults of \$370,676.33. Based on the Company's actual experience in Fiscal

Year 2012-2013, the Company incurred a cost of \$485,728.64 for routine disposal vaults. Therefore, the Company proposes an adjustment of \$115,052 for this category in this Amended Application.

15. The Company has attached to this Amended Application three (3) exhibits pertaining to the adjustments and identification of the categories of “allowable costs” for its disposal operations.

15. Amended Exhibit A to this Amended Application describes in detail the Company’s proposed adjustments for the recovery of its actually incurred costs for fixed, variable and irregular costs to reflect the differences between the level of “allowable costs” identified in Order No. 2013-349 and the level of the Company’s actually incurred costs in Fiscal Year 2012-2013. Exhibit A also provides the rates for variable costs which were contained in Order No. 2013-349.

16. Amended Exhibit B describes the actual irregular costs which the Company incurred in Fiscal Year 2012-2013, organized by project number.

17. Amended Exhibit C depicts the total fixed costs, irregular costs and variable cost rates that the Company proposes for identification and approval for Fiscal Year 2013-2014.

18. For Fiscal Year 2013-2014, the Company requests identification as “allowable costs” a total of \$3,319,732 as allowable fixed costs, as depicted in Amended Exhibit C. Amended Exhibit C also identifies variable material cost rates and variable waste dependent labor rates for Fiscal Year 2013-2014. Irregular costs for Fiscal Year 2013-2014 anticipated at the time of this Amended Application are \$233,250, as specified in Amended Exhibit C. The costs and amounts in Amended Exhibits A and C are consistent with the description of “allowable costs” in Section 48-46-40(B)(3), and they have been determined by standard accounting practices and are consistent with the recommendations of the Collaborative Review

of the OEP as the Commission approved in Order No. 2004-349 in this Docket.

WHEREFORE, Chem-Nuclear Systems, LLC, an Energy*Solutions* company, respectfully prays unto this honorable Commission:

1. To review the Company's Amended Application and issue its Order, under S.C. Code Ann. § 48-46-40(B)(4) (Supp. 2010), recognizing the levels of "allowable costs" as depicted in Amended Exhibit A for Fiscal Year 2012-2013, and identifying the levels of irregular costs in Amended Exhibit B for Fiscal Year 2012-2013, and identifying as "allowable costs" those costs depicted in Amended Exhibit C for Fiscal Year 2013-2014.

2. For such other and further relief as is just and proper.

Respectfully submitted,

s/ J. David Black

J. David Black
Sara S. Rogers
NEXSEN PRUET, LLC
1230 Main Street, Suite 700
Post Office Drawer 2426
Columbia, South Carolina 29202
(803) 771-8900
(803) 253-8277
DBlack@nexsenpruet.com
SRogers@nexsenpruet.com

Attorneys for Chem-Nuclear Systems, LLC

March 27, 2014

Columbia, South Carolina

AMENDED EXHIBIT A:

FISCAL YEAR 2012-2013 COSTS

Fixed costs, subject to a 29% operating margin, were incurred in fiscal year 2012-2013 in the general categories of labor-related costs, non-labor costs, costs allocated from corporate functions, equipment leases and support, depreciation and insurance. The following table compares the actual costs incurred to the costs identified as allowable in Commission Order No. 2013-349:

	Commission Order No. 2013-349	Actual Costs Incurred in FY 2012- 2013	Adjustment Proposed
Labor, Fringe and Non-labor	\$1,721,953	\$1,787,809	
Corporate Allocation (G&A)	\$661,669	\$527,587	
Equipment leases and support	\$137,918	\$90,435	
Depreciation	\$58,468	\$74,730	
Insurance	\$322,044	\$352,361	
Subtotal (Fixed Cost subject to 29% margin)	\$2,902,052	\$2,832,922	
Legal Support	\$35,338	\$32,054	
Subtotal (Fixed Cost not subject to 29% margin)	\$35,338	\$32,054	
Total Fixed Costs	\$2,937,390	\$2,864,976	(\$72,414)

The actual Fixed Costs incurred during fiscal year 2012-2013 were **\$2,864,976**. This amount is **\$72,414** less than the amount identified in Order Number 2013-349. Therefore, no adjustment is requested in this category of costs.

Variable Costs:

Variable Labor and Non-Labor Costs No Adjustment Proposed

Commission Order No. 2013-349 identified the following categories of rates for projecting Variable Labor and Non-Labor costs: vault purchase and inspection (per vault), ABC waste disposal (per shipment), slit trench operations (per slit trench offload), customer assistance (per shipment), and trench records (per container).

The following table illustrates the Variable Labor and Non-Labor costs that would be calculated using the Variable Labor and Non-Labor rates identified in Order No. 2013-349 and the number of units in each category.

	Units	Variable Cost Rate in Order No. 2013-349	Calculated Cost
Vault Purchase & Inspection (per vault)	59	\$186.79	\$11,020.61
ABC Waste Disposal (per shipment) (total shipments, less slit trench shipments, less irregular project shipments)	69	\$1,169.00	\$80,661
Slit Trench Operations (per slit trench offload)	0	\$23,423.00	\$0.00
Customer Assistance (per shipment)	69	\$80.75	\$5,571.75
Trench records (per container)	114	\$325.00	\$37,050.00
Total Calculated Variable Labor and Non-labor Cost			\$134,303.36

The actual Variable Labor and Non-Labor costs experienced in the disposal of waste in fiscal year 2012-2013 resulted in a Total Variable Labor and Non-Labor Cost of **\$123,917.27**. This amount is **\$10,386.09** less than the amount that would have been anticipated based on rates provided in Commission Order 2013-349. Therefore, Chem-Nuclear requests no adjustment in this category of costs.

Vault Costs

Adjustment Proposed

The following table illustrates the vault costs that would be calculated using the Variable Cost rates identified in Commission Order No. 2013-349 and the volumes of waste received in each respective category.

	Volume Buried (cubic feet)	Variable Cost Rate in Order No. 2013-349	Calculated Cost
Class A waste	5,761.02	\$40.29	\$232,111.50
Class B waste	2,481.50	\$45.63	\$113,230.85
Class C waste	510.56	\$49.62	\$25,333.99
Slit Trench waste		\$156.19	
Irregular Components (in vaults as an irregular cost)		N/A	N/A
Irregular Components (not in vaults)		N/A	N/A
Total Calculated Vault Cost			\$370,676.33
Total Volume (cubic feet)	8,753.08		

The total cost incurred for routine disposal vaults used during fiscal year 2012-2013 was **\$485,728.64**. This amount is **\$115,052** more than the amount that would have been anticipated based on rates provided in Commission Order 2013-349. Therefore, Chem-Nuclear requests an adjustment in this category of cost of **\$115,052**.

Irregular Costs

Adjustment Proposed

The following table summarizes the Irregular Costs incurred in fiscal year 2012-2013 organized by projects. Amended Exhibit B provides additional descriptions of each of these irregular projects.

Irregular Cost Item	Order No. 2013-349	Actual FY 12-13 Labor	Actual FY 12-13 Non-Labor	Total Cost FY 12-13
Trenches (design, construct, and backfill): Trench 99.	\$116,390	\$14,901	\$126,107	\$141,008
License Renewal and Appeal costs	\$10,000	\$644		\$644
Decontamination and Corrective Actions	\$5,000	\$4,983	\$37	\$5,020
Trench records Software		\$993	\$18,027	\$19,020
Site Assessments	\$5,000			\$0
Site Maintenance		\$5,316	\$28,899	\$34,215
Other Irregular (True up of Fringe rate year to date)	\$54,782	\$374		\$374
Severance/Incentive		\$40,157		\$40,157
Total Irregular Costs	\$191,172	\$67,368	\$173,070	\$240,438

The total costs incurred in fiscal year 2012-2013, as Irregular costs, were \$240,438 compared to the amount identified in Commission Order No. 2013-349 of \$191,172. Chem-Nuclear therefore requests an adjustment in Irregular Costs of \$49,266.

AMENDED EXHIBIT B:

**FISCAL YEAR 2012-2013 IRREGULAR COSTS
ORGANIZED BY PROJECT**

PROJECT NUMBERS	PROJECT NAME AND EXPLANATIONS
188701.8029	Trench Construction and Backfill Operations (Labor \$14,901 and Non-labor \$126,107) Trench construction activities in fiscal year 2012-2013 included design, construction and backfill (including use of free flowing sand where applicable) in Trench 99.
952188.8002	Appeal DHEC License, License Administration, (Labor \$644) Non-routine activities by licensing department and others related to the appeal process for the DHEC radioactive materials license renewal. Included here are costs for CNS labor. Legal expenses are included in fixed costs.
188000.8003	Decontamination and Corrective Actions (Labor \$4,983 and Non-labor \$37) Includes costs related to decontamination efforts and corrective actions required as a result of waste received for disposal.
188000.8013	Trench records Software (Labor \$993 and Non-labor \$18,027) Cost provides the maintenance and support for trench records database and reporting software.
188004.8002	Site Maintenance (Labor \$5,316 and Non-Labor \$28,899) Included here are costs associated with maintenance of site structures and costs for the slit trench equipment structure (cover).
952182.8001 952182.8002 952186.8002 952192.8002 188004.8001 188008.8001	Other Irregular Costs (Records Retention, Waste Tracking, B&CB Support, Increased Controls) (Labor \$374) Included here are costs for true up of fringe rate year to date.
188701.8029 952186.8002	Severance/Incentives (Labor \$40,157) VP of Regulatory Affairs and Safety Incentive

AMENDED EXHIBIT C:

FISCAL YEAR 2013-2014 COSTS

We propose the following amounts be identified as allowable costs for fiscal year 2013-2014:

FIXED COSTS	
Fixed Costs to which 29% operating margin is added	
Labor, Fringe and Non-Labor	\$2,075,258
Corporate Allocations (Management Fees/G&A)	\$590,777
Depreciation	\$76,972
Insurance	\$352,509
Equipment Leases and Support	\$191,200
Fixed Costs to which 29% operating margin is not added	
Legal Support	\$33,016
Total Fixed Costs	\$3,319,732
IRREGULAR COSTS	
Trench Construction	\$96,250
License Appeal	\$10,000
Corrective Action	\$5,000
Site Maintenance	\$97,000
Site Assessments	\$5,000
Miscellaneous	\$20,000
Total Irregular Costs	\$233,250
VARIABLE COSTS	
Variable Labor and Non-Labor Rates	
Vault Purchase and Inspection (per vault)	\$156.21
ABC Waste Disposal (per shipment)	\$1,190.82
Slit Trench Operations (per slit trench offload)	\$83,334.35
Customer Assistance (per shipment)	\$93.94
Trench Records (per container)	\$261.14
Variable Material Cost Rates (Vaults)	
Class A Waste (per cubic foot)	\$37.34
Class B Waste (per cubic foot)	\$48.47
Class C Waste (per cubic foot)	\$52.15
Slit Trench Waste (per cubic foot)	\$210.00